



T.K.S. TECHNOLOGIES PUBLIC COMPANY LIMITED
บริษัท ที.เค.เอส. เทคโนโลยี จำกัด (มหาชน)

Management Discussion and Analysis (MD&A)

Operating Performance and Financial Position

For the 2nd quarter ended June 30, 2024



DRIVING TRANSFORMATION



TKS



Executive Summary

Revenue from sales and services	Net profits from operation	Profit sharing from associates
THB 772.6 million	THB 108.5 million	THB 81.2 million
Decrease 1.7% YoY	Increase 86.4% YoY	Decrease 5.8% YoY

T.K.S. Technologies Public Company Limited (“the Company”) and its subsidiaries would like to report the operating performance and financial position for the six-month period ended June 30, 2024. The Company had revenue from sales and services in amount THB 772.6 million, a decrease from the same period of the previous year (YoY) amounting to THB 13.5 million or 1.7%, mainly due to decline in sales of a special project in security printing solution and sales of digital printing solution. GP margin was 36.1%, an increase from the same period of the previous year, which has a gross margin of 29.6%, mainly due to the Company still continued its efficiency production cost management and the Company focus on expanding Growth Business, such as Technology Platform Business which has a higher gross profit margin.

The Company had a net profit from operations of THB 108.5 million, an increase of THB 50.2 million or 86.4% from the previous year which mainly came from an increase in gross margin and a decrease in selling and administrative expenses. In addition, the Company also recognized the profit sharing from investments in associates decreased by THB 4.9 million or 5.8%

Total assets as of June 30, 2024 was at THB 4,653.8 million, a decrease of THB 442.3 million or 8.7% from December 31, 2023, mainly due to is the sale of investments and derivatives, particularly warrants, and the recognition of impairment losses on investments in associated companies during the period. The company's financial position is still strong with debt to equity ratio at 0.36x.

As of June 30, 2023, the net asset value of the Company (NAV) based on the consolidated financial statements compared to the Company's market capitalization and the book value adjusted by the fair value of the investment in associates net with deferred tax liabilities was shown as follows;



Sustainability Development at T.K.S. Group

- Selected by the Stock Exchange of Thailand (SET) as a sustainable stock or **SET ESG Ratings for the year 2023 at A rating** (Previously known as THSI Sustainable Stocks)
- ISB Leader Award** from the **I-EA-T Sustainable Business Awards 2023 (ISB Awards)**, a project to develop social achievement criteria for sustainable development of the Industrial Estate Authority of Thailand (IEAT)
- CSR-DIW Continuous Award 2023** from the project to promote industrial factories to have social and community responsibility for sustainable development goals
- Corporate Governance Rating (CGR) 'Excellence' 2023** and **CAC Certified** has been renewed for membership of the Thai Private Sector Collective Action against Corruption (CAC) from Thai Institute of Directors (IOD)
- 3Rs Award** for the project "Improving Industrial Waste Management Efficiency Towards **Zero Waste to Landfill**" for the year 2023
- Trophy of **Eco Factory Excellence Award** from the Federation of Thai Industries
- Trophy and certificate of honor for the **Outstanding Greenhouse Gas Reduction Network Factory for the year 2023** from the Industrial Estate Authority of Thailand (IEAT)
- Green Star Award** at the Sustainability Awards for the year 2023

Overview Business Strategy - Tech Ecosystem Builder

The Company has continuously focused on adapting its businesses to keep up with digital disruption by developing the innovation of information technology and has internally restructured its group of companies to create a synergy both in terms of market and product development and in terms of reducing production capital to increase its overall competitiveness to maintain its existing business base alongside finding new business partners. Currently, the Company has invested in 6 major businesses as below:-

- Security & Fulfillment Solution Business – through an investment in Siampress Company Limited (“SPC”)
- Technology Platform Business- through an investment in Gofive Company Limited (“Gofive”)
- Corporate Venture Capital in Tech Startup Company through an investment in Next Ventures Company Limited (“NEXT VENTURES”)
- IT Trading & Distribution Business - through an investment in Synnex Public Company Limited (“SYNNEX”)
- Fintech and services through own ecosystem - through an investment in Sabuy Technology Public Company Limited (“SABUY”) and Plus Tech Innovation Public Company Limited (“PTECH”)
- Fully integrated IT solutions and services - through an investment in Metro Systems Corporation Public Company Limited (“MSC”) and Advanced Information Technology Public Company Limited (“AIT”)



Operating Performance Analysis

Financial Performance for the 2nd quarter 2024

Revenue and Gross Profit

The Company had revenue from sales and services in amount of THB 392.1 million, an increase from the previous year (YoY) amounting to THB 12.4 million or 3.3%, while comparing to Q1/2024 (QoQ), The Company had revenue from sales and services increase by amounting to THB 11.6 million or 3.1% from the increase in Technology Platform Business group.

A gross profit for the period was 37.7%, an increase from the previous year (YoY), which had a gross profit margin of 29.4%. While comparing to Q1/2024 (QoQ) also increased, mainly due to the Company still continued its efficiency production cost management and the Company focus on expanding Growth Business, such as Technology Platform Business which has a higher gross profit margin.

Selling and administrative expense

The Company had selling and administrative expenses of THB 75.0 million, a decrease from the previous year (YoY) amounting to THB 0.5 million or 0.6% due to decrease in transportation, and postage cost related to lower sales volume. While comparing to Q1/2024 (QoQ), the Company had selling and administrative expenses increase of THB 4.7 million or 6.6% due to selling expense related to higher sales volume of security printing & digital printing solution.

Finance cost and Income Tax

The Company had finance cost of THB 7.9 million, an increase from the previous year (YoY) by THB 0.2 million or 1.8% due to an increase in short-term borrowings from financial institutions. While comparing to Q1/2024 (QoQ), the Company's finance cost slightly decreases due to a partial long-term loan repayment.

The Company had income tax of THB 9.3 million, an increase from the previous year (YoY) by THB 1.5 million or 19.5% also increase due to an increase in the net profits from operations. While comparing to Q1/2024 (QoQ), the Company's income tax expense decreased slightly."

Profit sharing from investment in associates and dividend received from investment

The Company recognized the profit sharing from investments in associates of THB 36.2 million, a decrease from the previous year (YoY) of THB 2.3 million or 6.8%. While comparing to Q1/2024 (QoQ) a decrease THB 8.8 million or 19.6%, declining in the profit sharing from associates mainly came from the loss sharing from PTECH.

Gain (loss) from extraordinary items

Q2'2024: The Company recognized an impairment loss of THB 264.0 million on its investment in an associate company.

Q1'2024: The Company sold derivative instrument – warrant and recognized in profit and loss on sales of warrant.

Q2'2023: The Company recognized loss from fair value measurement of derivative instrument – warrant net from income tax expenses amounting to THB 21.8 million, and the Company had professional fee related to investing activities amounting to THB 1.4 million. Thus, totaling loss from extraordinary items was THB 23.2 million.



Operating Performance Analysis (Cont'd)

Financial Performance for the six-month period ended June 30, 2024

Revenue and Gross Profit

The Company had revenue from sales and services in amount of THB 772.6 million, a decrease from the previous year (YoY) amounting to THB 13.5 million or 1.7%, mainly due to decline in sales of a special project in security printing solution and sales of digital printing solution.

A gross profit for the period was 36.1%, an increase from the previous year (YoY), which had a gross profit margin of 29.6%, mainly due to the Company still continued its efficiency production cost management and the Company focus on expanding Growth Business, such as Technology Platform Business which has a higher gross profit margin.

Selling and administrative expense

The Company had selling and administrative expenses of THB 145.3 million, a decrease from the previous year (YoY) amounting to THB 9.4 million or 6.1%. Due to the decrease in revenues, transportation, and postage costs have also declined.

Finance cost and Income Tax

The Company had finance cost of THB 15.9 million, an increase from the previous year (YoY) by THB 1.7 million or 11.4% due to an increase in short-term borrowings from financial institutions.

The Company had income tax of THB 20.6 million, an increase from the previous year (YoY) by THB 5.2 million or 34.5% due to an increase in the net profits from operations.

Profit sharing from investment in associates and dividend received from investment

The Company recognized the profit sharing from investments in associates of THB 81.2 million, a decrease from the previous year (YoY) of THB 4.9 million or 5.8%, declining in the profit sharing from associates mainly came from the loss sharing from PTECH.

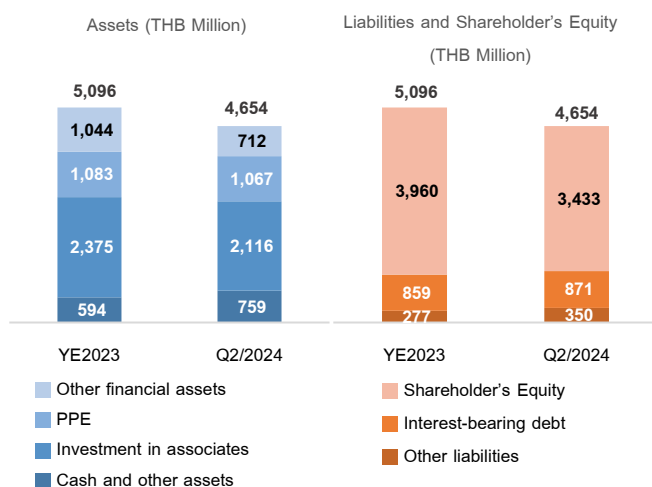
However, the Company recognized dividends from its major investments, MSC and AIT, amounting to THB 25.3 million during the period, which partially offset the decrease in the share of profits from associates.

Gain (loss) from extraordinary items

For the six-month period ended June 30, 2024, The Company recognized an impairment loss of THB 264.0 million on its investment in an associate company and sold derivative instrument – warrant and recognized in profit/loss on sales of warrant of THB 0.7 million.



Financial Position Analysis



Assets

As of June 30, 2024, the Company had total assets of THB 4,654 million, decreased by THB 442 million or 8.7% from December 31, 2023 and the major increase and decrease of total assets were described as follows:

- Cash and cash equivalent and other assets increase by THB 165 million, mainly from cash from short-term loans and dividends received from investments during the period.
- Other financial assets decreased by THB 332 million which mainly from sale of investments and derivative instruments - warrants during the period.
- Investment in associate companies decreased by THB 259 million. The main reason was the recognition of an impairment loss on investment in associate companies of THB 264.0 million.

Liabilities

As of June 30, 2024, the Company had total liabilities of THB 1,221 million, increased by THB 85 million or 7.4% from December 31, 2023 and details of the significant increase were described as follows:

- Other liabilities increased by THB 73 million from the trade accounts payable increased by THB 62 million, due to the stock of raw materials for production in Q2/2024
- Interest-bearing debt increased by THB 12 million, mainly due to the increase in short-term loans during the period.

Shareholder's Equity

As of June 30, 2024, the Company had total shareholder's equity of THB 3,433 million, decreased by THB 527 million or 13.3% from December 31, 2023 which mainly came from net loss for the six-month period amounting to THB 48 million and loss from fair value measurement in equity instruments (net of deferred tax liabilities) through other components of equity totaling of THB 308 million, in May 2024, the Company paid an annual dividend of THB 127 million in cash.

the Company has repurchased the shares under the shares Repurchase Project (Treasury Stock) for the financial management purposes totaling 10.54 million shares, equivalent to 2.07% of issued share and paid-up capital, at a total cost of Baht 84.16 million with an equivalent amount had been appropriated from retained earnings to treasury stock reserve.

Debt to Equity Ratio

The debt-to-equity ratio and interest-bearing debt to equity ratio as of June 30, 2024 was 0.36x and 0.25x, respectively, slightly higher than those at the end of December 31, 2023.

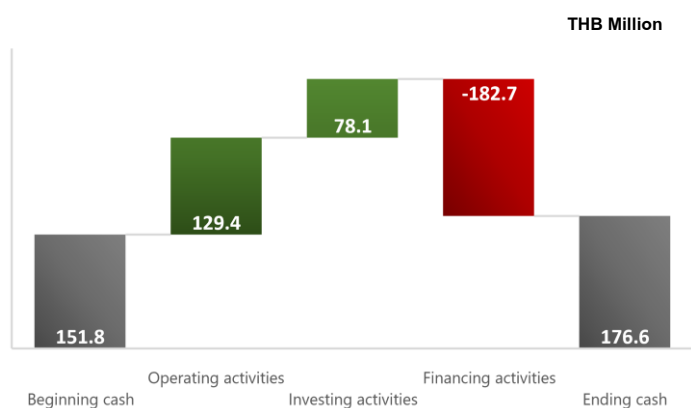
The following table presents the carrying amount and fair value of assets measured at fair value or disclosed in the consolidated financial statements and notes to financial statements as at June 30, 2024.

	Unit: THB million	
	Carrying Amount	Fair Value
Assets measured at fair value		
Investment in equity securities and derivative	712	712
Assets disclosed fair value		
Investment in associates	2,116*	4,708

* The carrying amount of investments in associates was measured using the equity method in accordance with applicable accounting standards.



Cashflows statement



The Company had total cash and cash equivalents of THB 176.6 million, an increase of THB 24.8 million from the previous year which can be described as following cashflow activities:

- Net cash flows from operating activities of THB 129.4 million from operating profit for the year and income tax payment during the period of THB 12.1 million.
- Net cash flows from investing activities of THB 78.1 million, mainly from the Company received dividends from SYNEX and other investments, namely MSC and AIT, totaling THB 110.2 million, and cash proceeds from the sale of investments of THB 43.5 million. Net cash used in purchasing fixed assets was THB 38.1 million, net cash used in acquiring investments was THB 34.3 million, and net cash provided from loans to other entities was THB 10.1 million.
- Net cashflows used in financing activities of THB 182.7 million, mainly due to net cash received from received against and repayment loans during the period.



Financial Information

Financial Performance for the 2nd quarter ended June 30, 2024

Unit: THB Million	Quarter	Quarter	Quarter	YoY	QoQ
	2/2023	1/2024	2/2024	% +(-)	% +(-)
Revenue from sales and services	379.7	380.5	392.1	3.3%	3.1%
Cost of sales and services	(267.9)	(249.5)	(244.5)	(8.8%)	(2.0%)
Gross profits	111.8	130.9	147.6	32.1%	12.8%
Selling and administrative expense	(75.5)	(70.3)	(75.0)	(0.6%)	6.6%
Other income	6.7	6.7	4.9	(25.8%)	(27.1%)
EBIT	43.0	67.3	77.5	80.9%	15.1%
Finance cost	(7.7)	(8.0)	(7.9)	1.8%	(2.1%)
Income tax	(7.8)	(11.4)	(9.3)	19.5%	(18.4%)
Net profits from operations	27.5	47.9	60.3	120.6%	26.0%
Profits sharing from investment in associates	33.9	45.0	36.2	6.8%	(19.6%)
Dividend received from investment	33.4	-	25.3	(24.3%)	100.0%
Loss from extraordinary items *	(23.2)	0.7	(264.0)	(1,043.8%)	(37,814.3%)
Net profit for the period	71.6	93.6	(142.2)	(298.5%)	(251.7%)
Depreciation & amortization	(31.1)	(30.6)	(27.4)	(11.94%)	(13.4%)
EBITDA	74.1	97.9	104.9	41.9%	6.0%
Gross profit margin (%)	29.4%	34.4%	37.7%	8.3%	3.3%
EBITDA margin (%)	19.5%	25.7%	26.8%	7.3%	1.1%
Operating profit margin (%)	7.2%	12.6%	15.4%	8.2%	2.8%
Earnings per share (THB)	0.14	0.17	(0.24)	(274%)	(297.5%)

* Loss from extraordinary items comprise of:

- Q2'2024: The Company recognized an impairment loss of THB 264.0 million on its investment in an associate company.
- Q1'2024: The Company sold derivative instrument – warrant and recognized in profit and loss on sales of warrant.
- Q2'2023: The Company recognized loss from fair value measurement of derivative instrument – warrant net from income tax expenses amounting to THB 21.8 million, and the Company had professional fee related to investing activities amounting to THB 1.4 million. Thus, totaling loss from extraordinary items was THB 23.2 million.



Financial Information (Cont'd)

Financial Performance for the six-month period ended June 30, 2024

Unit: THB Million	6M	6M	YoY
	2023	2024	% +(-)
Revenue from sales and services	786.1	772.6	(1.7%)
Cost of sales and services	(553.2)	(494.0)	(10.7%)
Gross profits	232.9	278.6	19.7%
Selling and administrative expense	(154.7)	(145.3)	(6.1%)
Other income	9.7	11.7	20.9%
EBIT	87.9	145.0	75.6%
Finance cost	(14.2)	(15.9)	11.4%
Income tax	(15.4)	(20.6)	34.5%
Net profits from operations	58.3	108.5	86.4%
Profits sharing from investment in associates	86.1	81.2	(5.8%)
Dividend received from investment	33.4	25.3	(24.1%)
Gain (loss) from extraordinary items *	(28.9)	(263.3)	(815.2%)
Net profit for the period	148.9	(48.3)	(132.5%)
Depreciation & amortization	(62.6)	(59.0)	(5.85%)
EBITDA	150.5	204.00	35.6%
Gross profit margin (%)	29.6%	36.1%	6.5%
EBITDA margin (%)	19.1%	26.4%	7.3%
Operating profit margin (%)	7.4%	14.0%	6.6%
Earnings per share (THB)	0.29	(0.11)	(138.3%)

* Loss from extraordinary items comprise of:

- For the six-month period ended June 30, 2024, The Company recognized an impairment loss of THB 264.0 million on its investment in an associate company and sold derivative instrument – warrant and recognized in profit/loss on sales of warrant of THB 0.7 million.
- For the six-month period ended June 30, 2023: The Company recognized loss from fair value measurement of derivative instrument – warrant net from income tax expenses amounting to THB 24.5 million. Any changing in fair value of such derivative instrument will be recognized in profit/loss. Moreover, the Company had professional fee related to investing activities amounting to THB 4.4 million. Thus, totaling a loss from extraordinary items was THB 28.9 million.



Financial Information (Cont'd)

Statement of Financial Position and Key Financial Ratio

Description	Financial Position as of					
	30 June 2024		31 December 2023		Change	
	MB	%	MB	%	MB	%
Total assets	4,653.8	100.0	5,096.1	100.0	(442.3)	(8.7)
Total liabilities	1,220.8	26.2	1,136.2	22.3	84.6	7.5
Total shareholder's equity	3,433.0	73.8	3,959.9	77.7	(526.9)	(13.3)
Key financial ratio						
Debt to Equity ratio	0.36x		0.29x			
Interest Bearing Debt to Equity ratio	0.25x		0.22x			

Cashflows statement

Cashflows (Unit: THB million)	For the six-month period ended 30 June 2024	For the six-month period ended 30 June 2023
Net cashflows from (used in) operating activities	129.4	(21.6)
• Cashflow from operation	212.0	146.1
• Change in working capital	(71.2)	(61.1)
• Net tax paid	(11.4)	(106.6)
Net cashflows from investing activities	78.1	69.6
Net cashflows used in financing activities	(182.7)	(120.7)
Net increase (decrease) in cash and cash equivalents during the period	24.8	(72.7)
Cash and cash equivalents at the beginning of the period	151.8	211.2
Cash and cash equivalents at the ending of the period	176.6	138.5

Please kindly be informed accordingly.

Sincerely yours,

(Jutiphan Mongkolsuthree)

Chief Executive Officer